



# **"The DFAS Story"**

**by**

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**DFAS**

*Your Financial Partner @ Work*

# *Agenda*

## **The DFAS Story**

- \* 10 Years of Progress**
- \* We Are Accountable**
- \* Partnership with our Customers**
- \* Our Future Together**



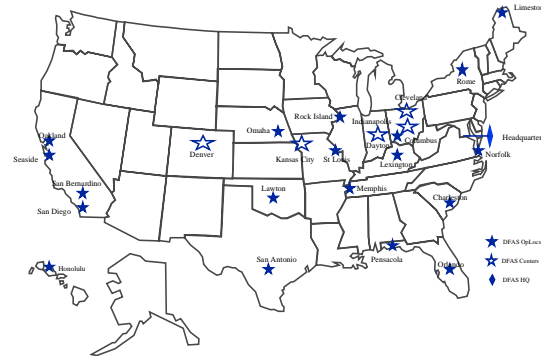
# *10 Years of Progress*



# 10 Years of Progress

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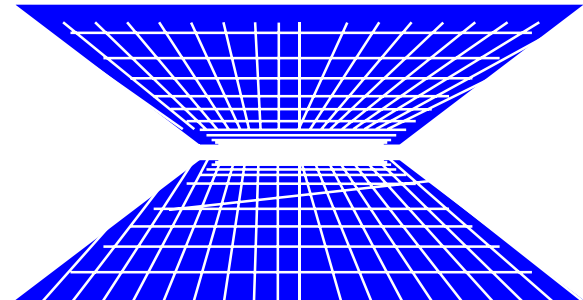
*Consolidated*



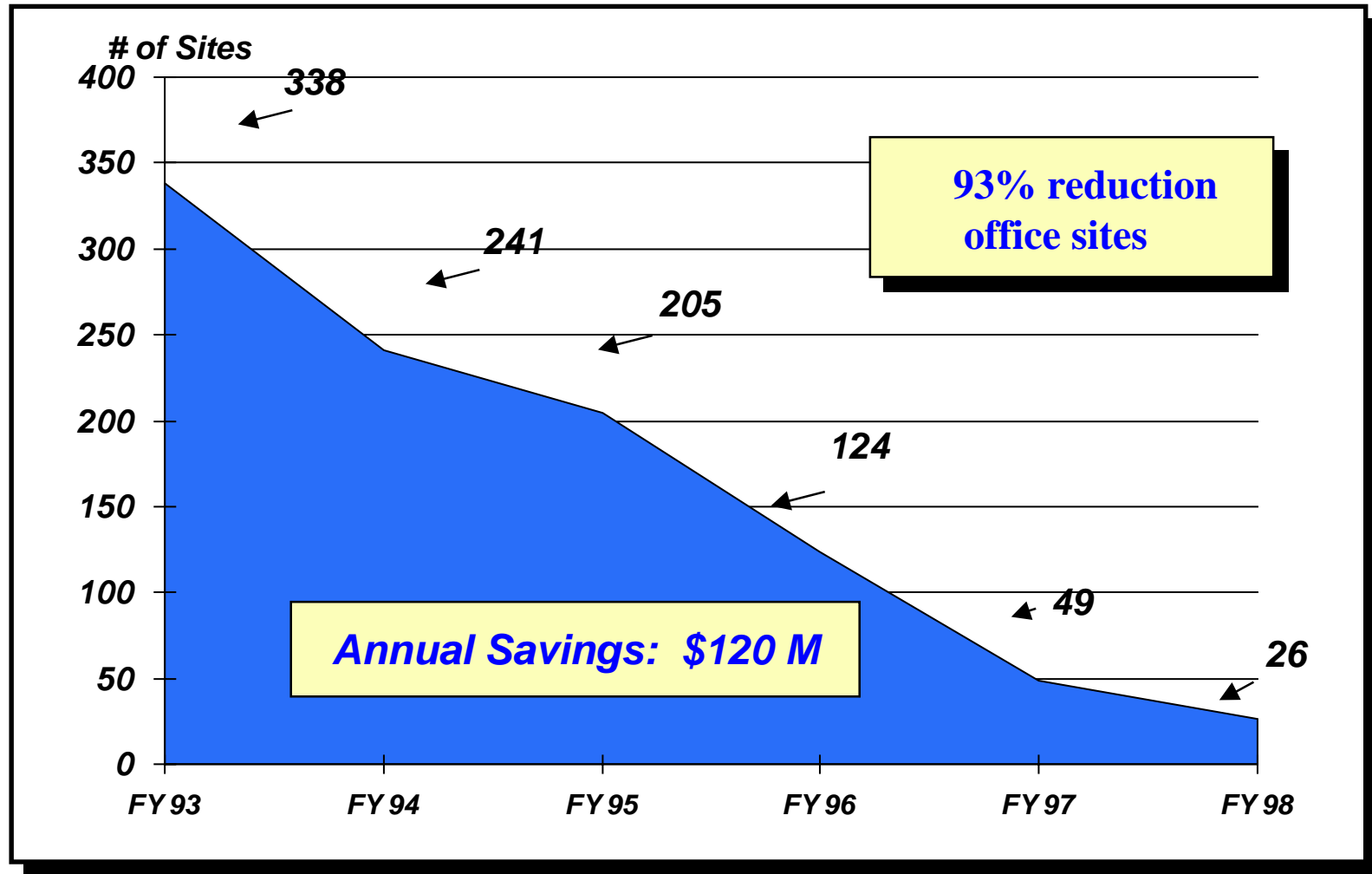
*Reduced*



*Standardized*



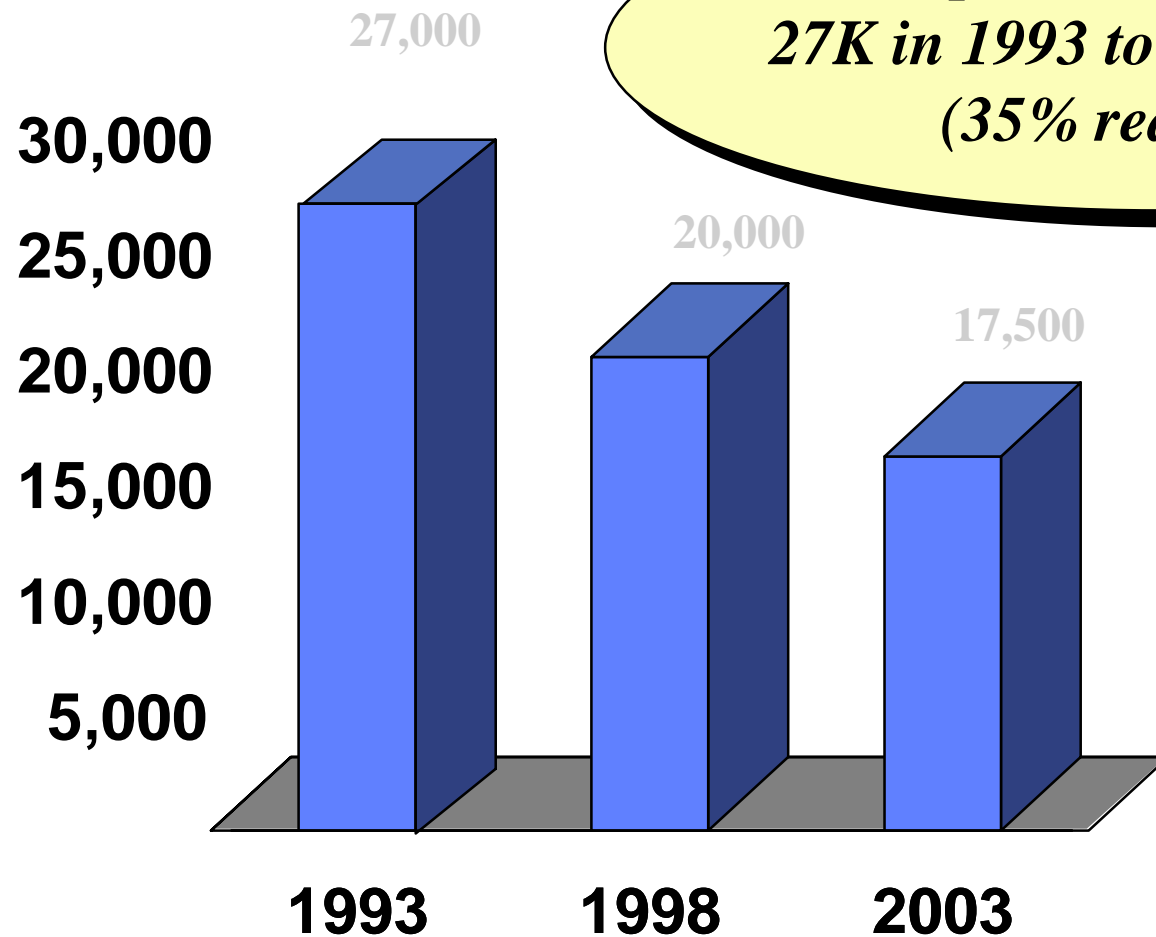
# Operations Consolidation



## *Manpower -- 1993 - Projected 2003*

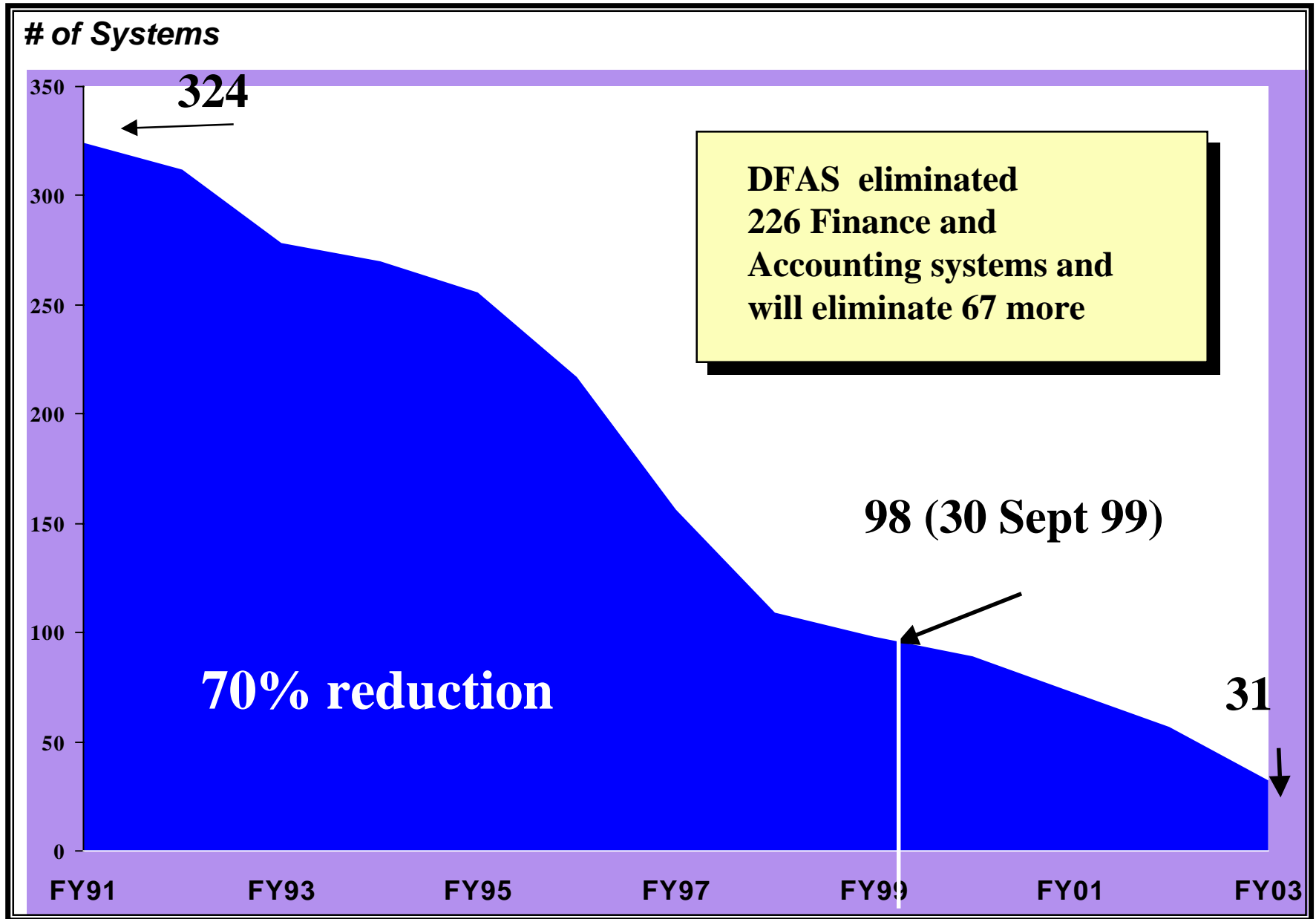
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**Manpower**



*Manpower will fall from  
27K in 1993 to 17.5K in 2003  
(35% reduction)*

# *Major Strides in Systems Standardization*





## *Magnitude of Operations*

### Finance (Monthly totals)

- **5.4 million military, civilians,**
- **retirees, annuitants paid**
- **2.6K military retiree death cases**
- **\$24B disbursements**
  - \$13B contract/vendor payments
  - \$11B personnel payments
- **\$3.4B intergovernmental payments**
- **1.2M invoices**
- **500K savings bonds**
- **450K travel payments**
- **122K transportation bills**
- **11K garnishments**

### Accounting (Annual totals)

- **100M accounting transactions**
- **156 active DoD appropriations**
- **1,050 program years**
- **226 Treasury accounts**
- **\$162B Investment Manager-Retirement Trust Fund**
- **\$222B in Foreign Military Sales Trust Fund**

***World's Largest & Busiest Finance & Accounting Operation!***

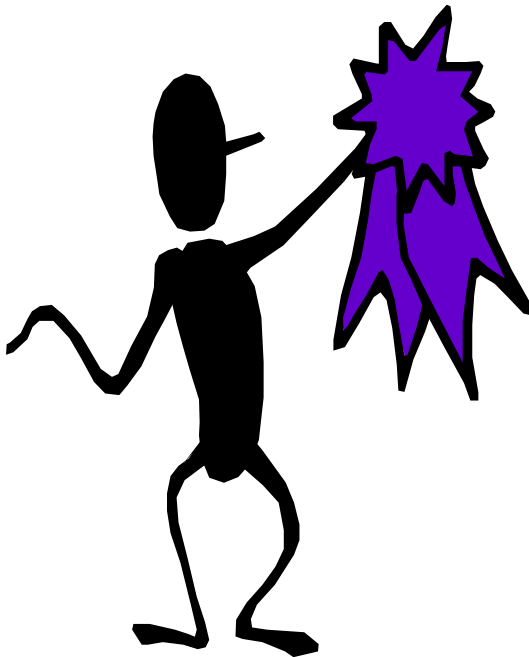


# ***DFAS:***

***The World's Largest & Busiest Finance & Accounting Operation!***

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- **DoD finance and accounting operations are larger than the combined annual sales of:**



- **264 of the Fortune 500 companies;**
- **more than twice the size of Exxon;**
- **20 times the size of Coca-Cola;**
- **146 times the size of Fruit of the Loom.**

***We are Accountable***



# ***DFAS MISSION***

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**“Provide responsive, professional finance and accounting services to the Department of Defense”**



***Ultimately, success is defined by how well we support commanders and the individual soldier, sailor, airman, marine and DoD civilian***



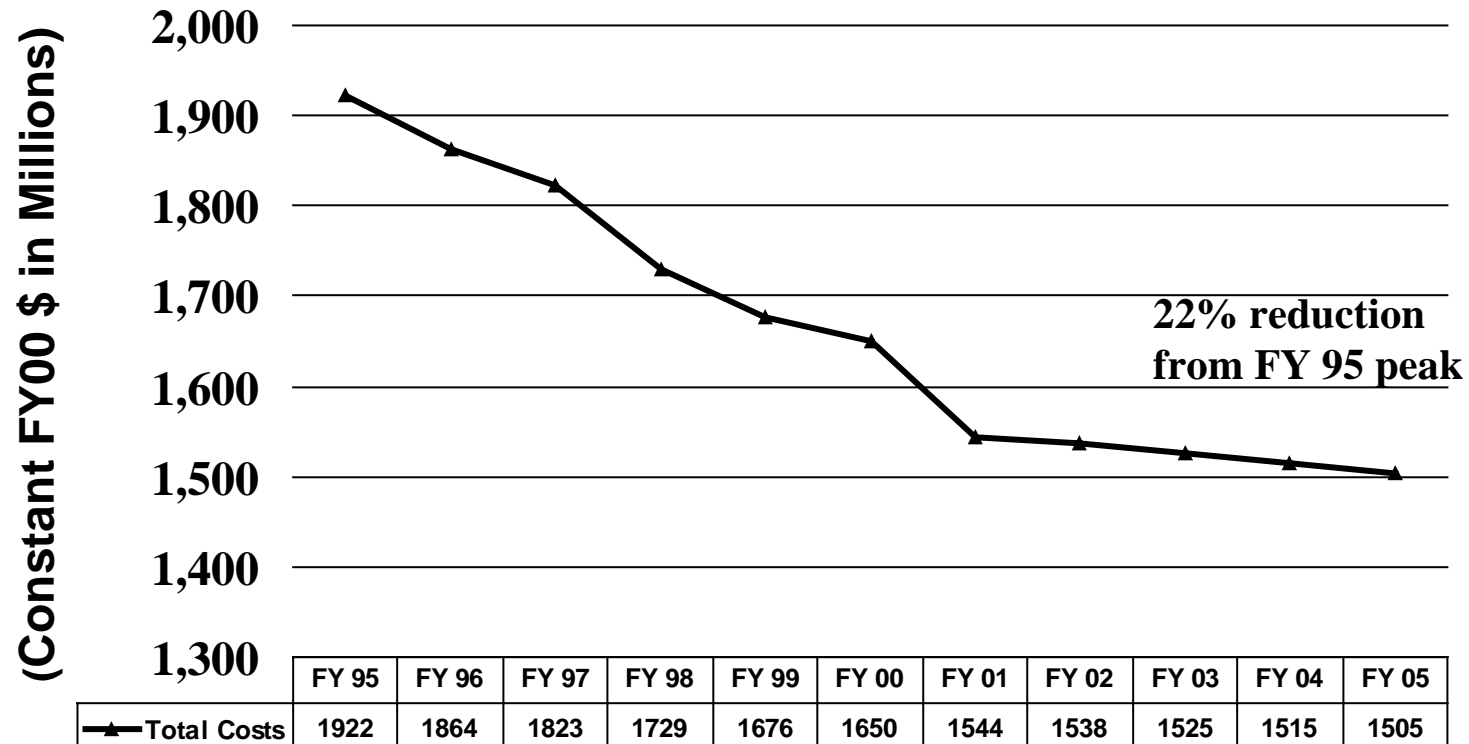
## ***DFAS Vision / Challenges***

- **World Class provider of finance and accounting services, with a strong corporate identity**
- **Trusted, innovative financial advisor**
- **Employer of choice, providing a progressive and professional work environment**
- **Competitive, best value to customers**

***Your Financial Partner @ Work***

# *Cost of DFAS to Department*

**FY 1994 - FY 2005**



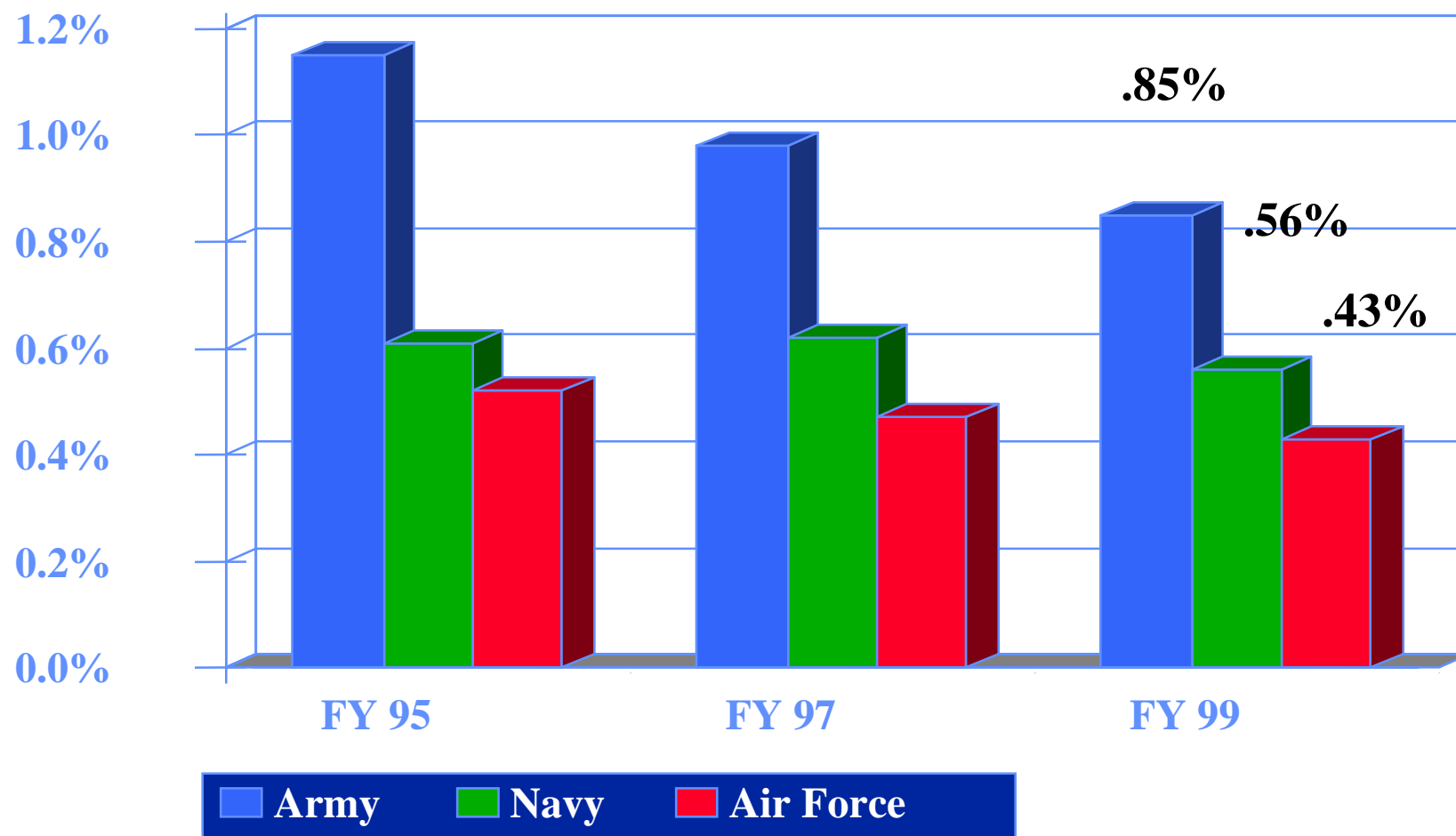
FY95 - FY99 actuals normalized to include Europe, Japan, PSO & PFI mission increases.

FY00 - FY01 reflects current estimate based on FY 01 PB, normalized for G&A reductions and one-time military workarounds costs.

FY 02-05 reflects G&A reductions and current POM targets.

# DFAS Bill to the Departments of the Army, Navy, and Air Force

% of budget



in constant FY 99 dollars

# ***Senatorial Hearing “License to Steal” (September 28, 1998)***

- **Air Force Staff Sergeant assigned to Castle AFB (1994-95) and DFAS Dayton (1995-97) committed fraud.**
  - **Stole \$437,000 by generating fraudulent vendor payments.**
  - **Denied legitimate Prompt Payment Act interest due to contractors.**
  - **Falsified official documents and information related to PPA payments.**

# Quality of Performance

## DFAS FY 2000 - 2005 Performance Contract

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**Defense Management Council executes a yearly  
performance contract  
with the DFAS Director**



*DFAS FY00 Performance Contract*  
**Business Area Deliverables = 57**

**Criteria: Unit cost, quantity, & quality**

**Conditions: Depend upon customer input & other DoD  
feeder systems**



# *Partnership with Our Customers*



## *Partnership*

DFAS is an equal partner in the Department's strategy to downsize, consolidate, streamline

Our number ONE priority -

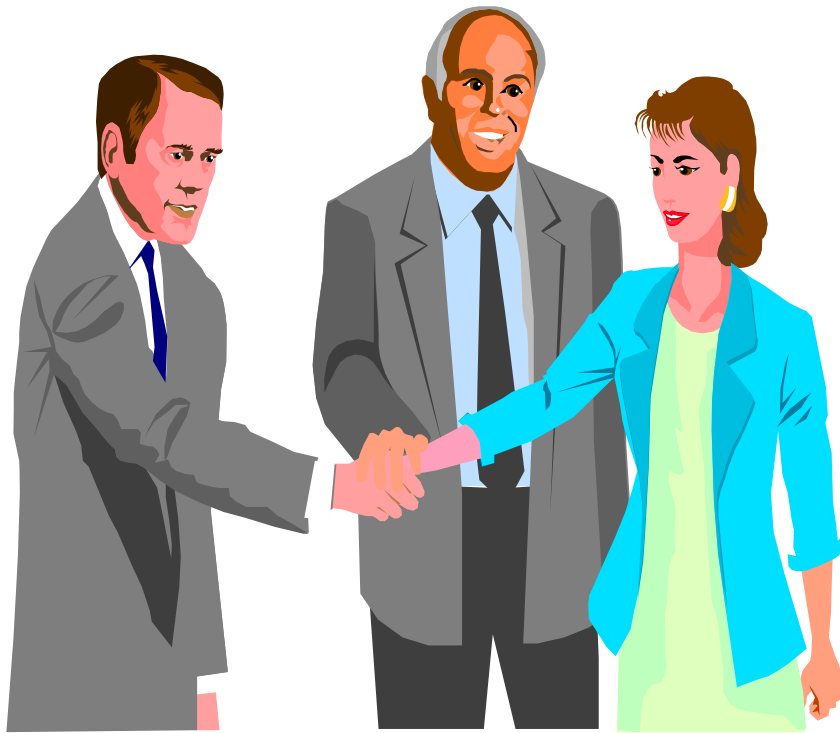
*support our customers*

*We need our customers' help.*

*Your needs and requirements will provide the direction for us as we move into the future.*

# *Customer Focus*

**Increased focus placed on Customer Service  
by the new management within DFAS.**



- **Director's Corporate Review**
- **Management Council**
- **Focus Group Interviews with Major Customers**
- **Reorganization of Centers**
- **"Mayor" positions**
- **OPLOC Advocacy**

# *Our Future Together*



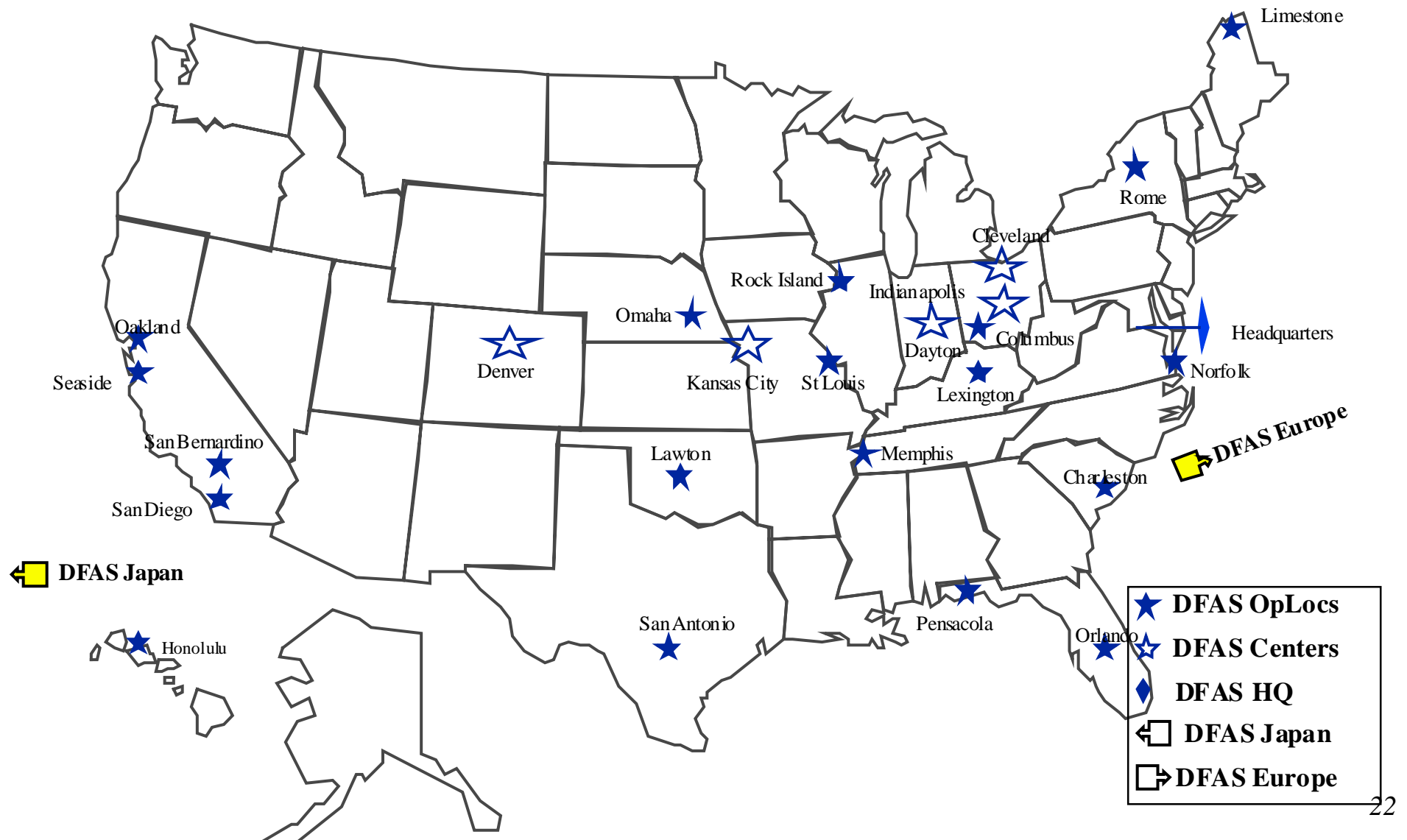
# Major Challenges Facing DFAS

*DFAS--Your Financial Partner @ Work*

- Thrill our customers; convince them via an offensive game plan to improve DFAS image
- Detect Fraud and Strengthen Internal Controls
- Measure and Improve Quality Of Operations  
Timely and Accurate/Cost Effective
- Improve timeliness of Military Pay problem resolution
- Modernize and replace Systems
- Reduce NULOs, Unmatched Disbursements, Intransits, Suspense Accounts
- Produce Auditable Financial Statements
- Foster teamwork within DFAS and with customers
- Trained and Competent Workforce

# *Our Organization*

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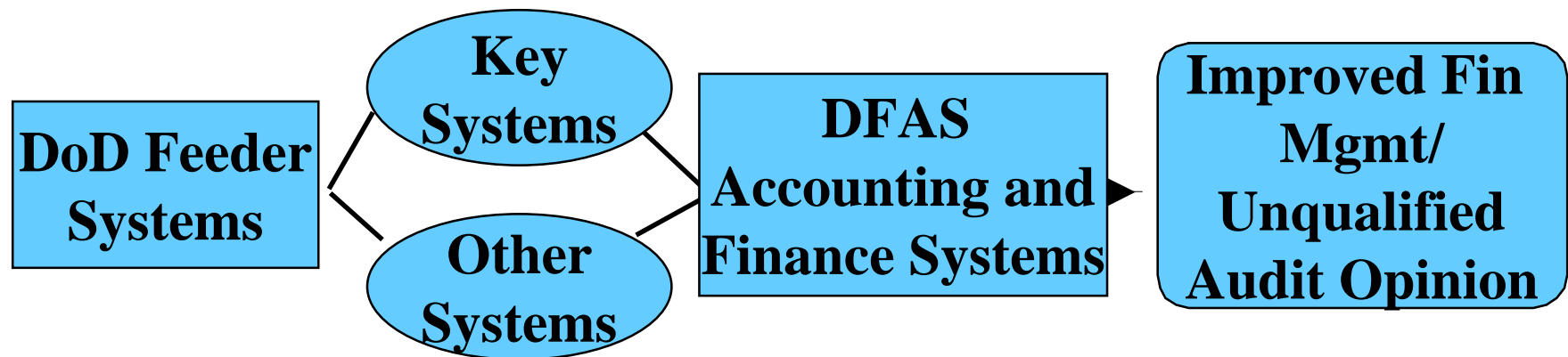


## *Systems Consolidation*

	FY91	FY93	FY95	FY97	FY99	FY01	FY03	<u>Target</u> FY05
<b>Accounting</b>	197	176	164	122	79	61	28	22
<b>Finance</b>	127	102	192	34	15	14	9	8
<b>Total</b>	324	278	256	156	94	75	37	30
<b>Reduction (Cumulative)</b>		46	68	168	230	249	287	294
<b>Percent Reduction (Cumulative)</b>		14%	21%	52%	71%	77%	89%	91%

## *Fix the Feeder Systems*

Partnering to identify and target high payback system improvements





# Legislation and DoD Initiatives Driving Requirements

## Government Management Reform Act of 1994

- Audited financial statements
- Consistent financial reporting principles, standards, and requirements
- Simplify financial management reports

## Government Performance and Results Act of 1993

- Hold Federal agencies accountable for achieving program results
- Focus on results, service quality, and customer satisfaction
- 5-year Strategic Plan
- Annual Performance Plans
- Annual Program Performance Reports

## Chief Financial Officers Act of 1990

- Establishes Chief Financial Officer
- More effective general and financial management practices
- Strengthen internal controls
- Improved financial information
- Government-wide financial management policy
- Systematic measurement of performance
- Annual financial statements

## National Defense Authorization Act of 1990

- After five years, a fixed appropriation account shall be canceled
- Eliminates “M” appropriations
- Revealed a long-standing problem of disbursements with related obligations

## DoD Appropriations Act of 1995

- Obligation must be validated prior to disbursing funds for any single expenditure in excess of \$5 million

## Paperwork Reduction Act of 1995

- Minimize paperwork burden for individuals
- Uniform Federal information resource management policies and practices

## Federal Financial Management Improvement Act of 1996

- Provides for the establishment of uniform accounting systems, accounting standards, and accounting reporting systems

## Information Technology Management Reform Act of 1996

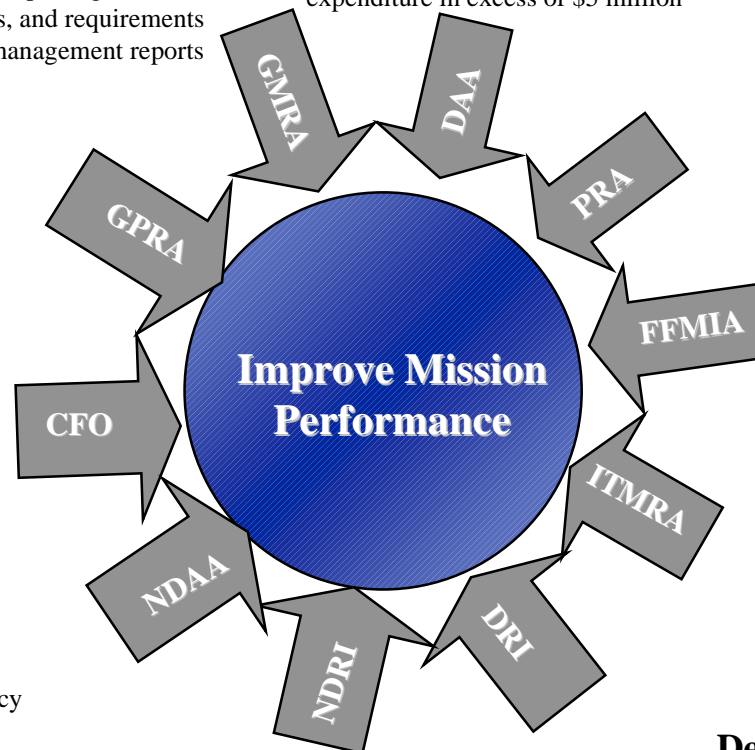
- Establishes Chief Information Officer
- Better planning and management of IT
- Analyze, track, and evaluate the risks/benefits associated with IT investments
- Annual report on net program performance benefits relative to Agency goals
- Performance-based and results-based management of information systems
- Establish IT performance measures
- Develop, maintain, and facilitate the implementation of a sound and integrated IT architecture
- Standard IT policy

## Defense Reform Initiative of 1997

- Establishes Defense Management Council (DMC)
- DMC negotiates performance contracts with heads of Defense Agencies
- DMC monitors progress of business practice changes and A-76 competitive evaluations
- Examines opportunities for consolidations
- Consults with business leaders to seek new solutions

## National Defense Reform Initiative of 1998

- Requires DoD to create a Biennial Financial Management Improvement Plan addressing all aspects of DoD financial management and a concept of operations on how DoD intends to manage its financial operations



# *DFAS Benchmarking*

## *DFAS vs. the Private Sector\**

**Sensitive Information**  
**Treat as Procurement Sensitive**

Company	Revenue	# of Employees Paid	# of F & A Systems	Outsource Accounting	Outsource Payroll	Outsource F&A Software
DoD	>\$270B	5,400,000	109	No	No	Limited

### Top 10 Fortune 500 Companies

General Motors	\$178.2B	608,000	1800	No	No	Limited
Ford Motor Co.	\$153.6B	346,000	----- Not Available-----			
Exxon	\$137.0B	80,000	Unknown	No	No	Yes
Wal-Mart	\$118.0B	675,000	< 10	Yes <sup>1</sup>	No	No
GE	\$ 90.8B	276,000	200+	No	Yes <sup>2</sup>	Limited
IBM	\$ 78.5B	269,500	79	No	No	Limited
Mobil	\$ 61.1B	42,700	107	No	No	Limited
Chrysler	\$ 60.0B	122,000	100	Yes <sup>3</sup>	No	Limited
Phillip Morris	\$ 56.1B	152,000	250	No	No	Limited
AT&T	\$ 50.7B	127,000	----- Not Available-----			

<sup>1</sup> Wal-Mart outsources fixed asset accounting.

<sup>2</sup> GE outsources check printing and tax fillings.

<sup>3</sup> Chrysler outsources the posting of accounting data to the general ledger.

\* Information as of October 1, 1998.

**Sensitive Information**  
**Treat as Procurement Sensitive**

# ***Estimated Annual Savings***

<b><u>A-76 STUDY</u></b>	<b><u>WORKYEAR</u></b>			<b><u>DOLLAR</u></b>	<b><u>SAVINGS</u></b>
<b>Completed</b>	<b>STUDIED/SAVED</b>			<b>SAVINGS</b>	<b>BEGIN</b>
		<b>percent</b>			
<b>Debt &amp; Claims</b>	<b>(494)</b>	<b>193</b>	<b>39%</b>	<b>\$ 8.5M</b>	<b>98</b>
<b>Fac, Log &amp; Admin</b>	<b>(279)</b>	<b>92</b>	<b>33%</b>	<b>\$ 4.0M</b>	<b>98</b>
<b>DeCA Vendor Pay</b>	<b>(240)</b>	<b>165</b>	<b>69%</b>	<b>\$10.1M</b>	<b>98</b>
<b>DeCA Accounting</b>	<b>(84)</b>	<b>23</b>	<b>27%</b>	<b>\$ 1.5M</b>	<b>99</b>
<b>Trans Acctg</b>	<b><u>(89)</u></b>	<b><u>31</u></b>	<b>35%</b>	<b><u>\$ 2.3M</u></b>	<b>99</b>
<b>Subtotal:</b>	<b>(1,186)</b>	<b>504</b>		<b>\$26.4M</b>	
<b>Depot Maint Acctg</b>	<b>(188)</b>	<b>47*</b>		<b>\$ 3.0M *</b>	<b>00</b>
<b>In Process</b>					
<b>Retiree/Annuitant Pa</b>	<b>(650)</b>	<b>162*</b>		<b>\$ 8.2M *</b>	<b>01</b>
<b>Civilian Pay</b>	<b><u>(500)</u></b>	<b><u>126*</u></b>		<b><u>\$10.5M *</u></b>	<b>01</b>
<b>Subtotal:</b>	<b>(1,338)</b>	<b>335</b>		<b>\$21.7M</b>	
<b>TOTALS:</b>	<b>(2,537)</b>	<b>839</b>		<b>\$48.1M</b>	

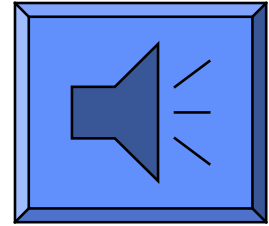
***\* Represents an estimated 25% savings***

## *Well Reasoned Reform*

"The DRI was not - and is not - an alternative to other reforms. Instead it ties together preexisting initiatives in an effort to: Improve efficiency and reduce overhead costs; pursue commercial alternatives; streamline organizations; and reinvest the generated savings in force modernization."

- Director of Defense Reform, Stan Z. Soloway,  
March 23, 2000

# *Electronic Funds Transfer*



## **EFT - Salary & Wage Payments to Individuals**

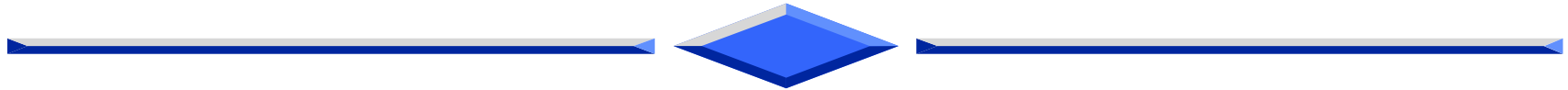
• • Civilian Employees	747,000	97%
• • Military:		
• • • Active Duty	1,500,000	99%
• • • Reserve/Guard	1,000,000	94%
• • • Retiree/Annuitants	2,200,000	95%

## **EFT - Travel Payments to Individuals 84%**

## **EFT - Payments to Vendors**

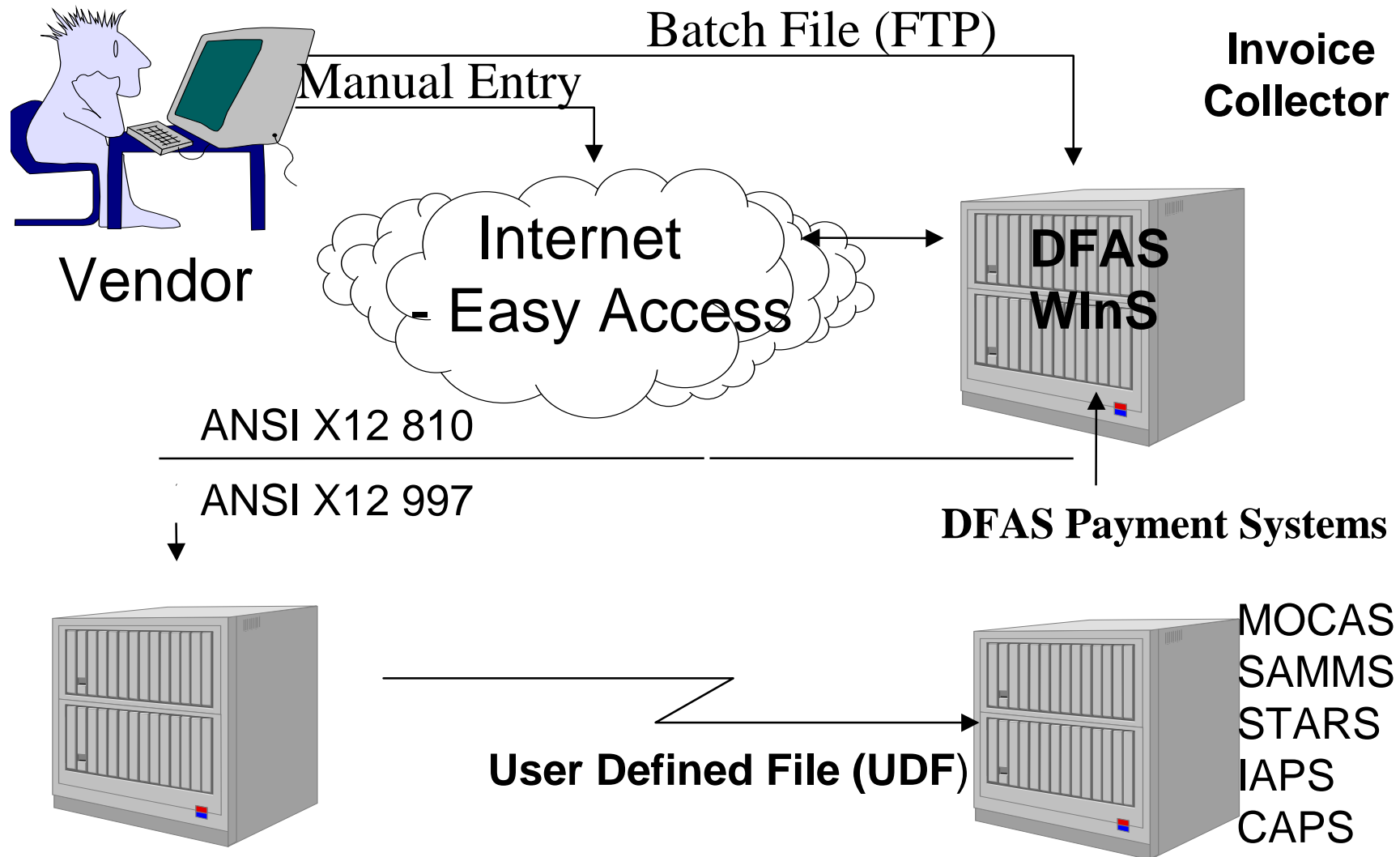
• • Contract Pay	960,000	85%
• • Vendor Pay	6,600,000	73%

# Employee/Member Self Service (E/MSS)



- *Change/Update Your Own Pay*
- *Leave & Earnings Statements via E-mail*

# DFAS Web Invoicing System (WInS)



## *Working Well Together*

"Dealing with the hard stuff - results, measures and business plans - is tough enough when you're trying to change how you operate.... even tougher is changing peoples' behaviors; getting them to work in new ways and committing themselves to the cause."

Mac McDonald

Leadership and Performance Operations,  
Royal Dutch Shell - Interview, 1999



# DFAS Vision/Challenges

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